

## Second Quarter 2012 Quarterly Report

- A month-long maintenance shutdown of the pre-reduction rotary kiln at the Tysedal ilmenite upgrading plant went according to plan and schedule
- Production of 32.1kt of titanium slag from Tysedal– a reduced level due to the maintenance of the rotary kiln
- Grande Côte construction remains on-schedule and on-budget – nearly \$300m of \$521m budget now spent or committed under orders

MDL owns 50% of TiZir Limited which, effective 1 October 2011, owns the Tysedal, Norway ilmenite upgrading plant and the Grande Côte Mineral Sands Project in Senegal, West Africa.

### Tysedal

100% basis		2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	1H 2011	1H 2012
<b>Titanium Slag</b>								
Produced	(kt)	45.0	41.5	49.5	45.7	<b>32.1</b>	87.1	<b>77.8</b>
Sold	(kt)	42.8	43.0	53.4	43.7	<b>29.0</b>	71.4	<b>72.7</b>
Average selling price per tonne	(US\$/t)				1,018	<b>1,024</b>	427	<b>1,021</b>
<b>High Purity Pig Iron</b>								
Produced		25.8	23.2	27.6	25.3	<b>18.0</b>	49.3	<b>43.3</b>
Sold		25.3	21.2	21.7	28.6	<b>23.5</b>	51.5	<b>52.1</b>
Average selling price per tonne	(EUR/t)				461	<b>477</b>	458	<b>468</b>
Costs per tonne of slag production <sup>1</sup>	(US\$/t)				702	<b>796</b>	694	<b>741</b>

<sup>1</sup> Costs before depreciation/amortisation, finance charges and tax, divided by tonnes of titanium slag produced, excluding HPPI revenue as a credit against costs

During the quarter, the pre-reduction rotary kiln was shut down for approximately one month for a major maintenance programme which included a relining of the majority of the kiln. The furnace operated at a reduced capacity during this time which resulted in the loss of approximately 13,000 tonnes of titanium slag production. Production for 2Q2012 was therefore reduced to 32.1 thousand tonnes of titanium slag and 18.0 thousand tonnes of high purity pig iron (HPPI). Production guidance for 2012 is now 170-175 thousand tonnes of titanium slag. The average selling price of titanium slag for 2Q2012 was US\$1,024/t, consistent with the pricing of US\$1,018/t for 1Q2012, and the cost of slag produced (excluding HPPI revenue) was US\$796/t, somewhat elevated by the reduced volume of slag.



Casting of the new refractory lining in the pre-reduction rotary kiln

## Grande Côte

Construction at Grande Côte continued at pace during the quarter, with \$59 million spent. The project remains on schedule and within budget – nearly \$300m of the \$521m budget is now either spent or committed under purchase orders. To date, based on the estimated cost to complete, approximately \$12m of the \$29m general contingency has been used.

Large scale works are now ramping up on-site, while offsite fabrication of components at various places around the world begins to finalise and begin being shipped to site.

We are generally pleased with progress and performance. There appears to be little or no cost inflation with respect to major capital items. Protecting the schedule is the main focus with manning challenges and contractor performance the key issues to be managed.

### Project Snapshot

Safety	<ul style="list-style-type: none"> <li>No LTIs at 1.3 million man-hours</li> </ul>
Budget	<ul style="list-style-type: none"> <li>\$299m of \$521m budget now spent or committed under purchase orders</li> <li>Estimated cost to complete for uncommitted expenditure is \$205m – meaning \$12m of \$29m general contingency utilised</li> </ul>
Dredge	<ul style="list-style-type: none"> <li>Fabrication/assembly in Thailand 86% complete</li> <li>Factory acceptance testing on schedule to commence in July</li> <li>On schedule to ship from Thailand in October and arrive at site November/December</li> </ul>
Dredge start up area	<ul style="list-style-type: none"> <li>Construction area of dredge pit (which sits one metre above the water table) complete</li> <li>Excavation of commissioning area of dredge pit to six metres below the water table to commence late July</li> <li>Water dam construction commenced, including pipe installation to allow flooding of the initial dredge area</li> </ul>
Water bores & pipeline	<ul style="list-style-type: none"> <li>First of 13 deep water high capacity bores for dredge pond management completed and successfully tested</li> <li>Drilling contractor has mobilised second rig which is due on site August 2012</li> </ul>
Wet concentrator	<ul style="list-style-type: none"> <li>Contractor issues are delaying completion of the pontoons which is putting some pressure on the overall schedule</li> </ul>
Mineral separation plant (MSP)	<ul style="list-style-type: none"> <li>All earthworks on track for completion end-July – ahead of schedule</li> <li>Main slabs for wet mill and dry mill on target to be poured during third quarter</li> <li>Administration building construction nearing completion</li> </ul>
Power station	<ul style="list-style-type: none"> <li>Engineering 100% complete / procurement 96% complete</li> <li>Engines (x5) are built and tested and are ex Finland for Senegal early July</li> <li>On-site civil work commenced at MSP, including pouring of engine foundations</li> </ul>
Rail	<ul style="list-style-type: none"> <li>Rail design works 95% complete</li> <li>Earthworks complete, laterite capping nearing completion and ballast placement to commence in July for 22km rail corridor to connect MSP to existing rail line</li> <li>Orders placed for locomotives, wagons and flatbed cars – Eramet's experience leveraged</li> </ul>
Port	<ul style="list-style-type: none"> <li>Site preparation and levelling complete</li> </ul>



Dredge build in Thailand now nearly 90% complete



One of the power station engines being completed in Finland



Engine slabs for power station being laid



Construction of administration building at MSP



Pipe installation linking dam and initial dredge site

## Corporate

At 30 June 2012:

- issued shares were 83,538,786;
- unlisted options were 620,000;
- cash and cash equivalents was US\$91.1 million (post \$10 million of equity funding contributed to TiZir during the quarter);
- debt was zero;
- Investments:
  - 16% of Teranga Gold Corporation (ASX: TGZ, TSX: TGZ) valued at US\$61.4 million
  - 15% of World Titanium Resources (ASX: WTR) valued at US\$12.5 million

## About MDL

Mineral Deposits Limited (ASX: MDL) is an Australian based mining company in the business of finding, mining and processing mineral sands resources.

MDL owns 50% of TiZir Limited which, effective 1 October 2011, owns the world-class Grande Côte Mineral Sands Project in Senegal, West Africa and an ilmenite upgrading plant in Tyssedal, Norway.

Grande Côte, over an expected mine life of at least 20 years, is anticipated to produce on average approximately 85ktpa of zircon and 575ktpa of ilmenite (and small amounts of rutile and leucoxene) when in full production. Currently being developed and with production expected to commence late-2013, it is one of only a few major new projects globally that can take advantage of the supply-constrained mineral sands sector.

The Tyssedal ilmenite upgrading plant smelts ilmenite to produce a high TiO<sub>2</sub> titanium slag which is sold to pigment producers and a high purity pig iron which is sold as a valuable co-product to ductile iron foundries. The facility currently produces approximately 200ktpa of titanium slag and 110ktpa of high-purity pig iron.

Once Grande Côte reaches expected average production rates, TiZir will be producing approximately 7% of both global zircon and titanium feedstock supply.

## Forward Looking Statements

Certain information contained in this report, including any information on MDL's plans or future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute forward-looking statements. Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. MDL cautions that such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of MDL to be materially different from the company's estimated future results, performance or achievements expressed or implied by those forward-looking statements. These factors include the inherent risks involved in exploration and development of mineral properties, changes in economic conditions, changes in the worldwide price of zircon, ilmenite and other key inputs, changes in mine plans and other factors, such as project execution delays, many of which are beyond the control of MDL. Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell MDL securities.

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